

Message Text

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13

ACTION ARA-20

INFO OCT-01 ISO-00 SAB-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 EB-11 AGR-20 AID-20 COME-00 TRSE-00

DRC-01 /148 W

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R 122250Z JUN 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7263

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSGEN GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: BANANAS: LA NACION INTERVIEW WITH PANAMANIAN
MINISTER OF ECONOMY MANFREDO

REF: (A) SAN JOSE 2219

(B) PANAMA 2428

(C) PANAMA 3333

1. SUMMARY: IN APPARENTLY EXCLUSIVE INTERVIEW WITH LOCAL
DAILY, GOP MINISTER OF ECONOMY MANFREDO SAID EMBOFFS HAD
CALLED ON HIM AT THE END OF APRIL TO PRESENT USG POSITION AGAINST
TAX (REFERENCE B). MANFREDO DEFENDED PANAMANIAN POSITION ON
BANANA TAX AND UPEB, USING CLASSICAL TERMS OF TRADE ARGUMENTS,
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AND EMPHASIZED BOTH IMPORTANCE OF U.S. MARKET AND APPRECIATION

OF EFFORTS BY USG TO OPEN THIS AND OTHER MARKETS TO PRODUCTS FROM DEVELOPING COUNTRIES. ALTHOUGH HE CLAIMED IN EFFECT UPEB'S ROLE WAS TO END EXPLOITATION BY FRUIT COMPANIES, INTERVIEW WAS NOTABLE MOSTLY FOR ITS RELATIVELY MODERATE TONE.

2. LA NACION OF JUNE 12 PUBLISHED AN APPARENTLY EXCLUSIVE INTERVIEW WITH PANAMANIAN MINISTER OF ECONOMY (COMMERCE AND INDUSTRIES?) FERNANDO MANFREDO, HEADLINED, "PANAMA MAKES REVELATIONS ON THE WAR OF THE BANANA". ARTICLE BEGAN WITH MANFREDO'S REPORT THAT TWO AMERICANS IN PANAMA, MR. MARION GORDON AND MR. DANIEL WEST (SIC) HAD GIVEN HIM A DOCUMENT IN LATE APRIL ENTITLED "POSITION OF THE GOVT OF THE UNITED STATES IN RELATION TO THE BANANA TAX". MANFREDO SAID THE DOCUMENT, INTER ALIA, DESCRIBED THE TAX AS SELF-DEFEATING.

3. USING CLASSICAL TERMS OF TRADE ARGUMENT, MANFREDO SAID THAT PRESENT EFFORTS BY THE UNION OF BANANA PRODUCING COUNTRIES (UPEB) "IS ONLY A VECTOR" IN THE OVERALL EFFORT TO SHIFT THE BALANCE TOWARD THE DEVELOPING NATIONS. HE ACKNOWLEDGED THAT THIS EFFORT WILL HAVE REPERCUSSIONS IN THE DOMESTIC MARKETS IN THE INDUSTRIALIZED COUNTRIES AND MUST NECESSARILY AFFECT THE CONSUMER IN THOSE COUNTRIES AS A RESULT OF INCREASED COST VIA REVALUATION OF PRIMARY PRODUCTS. HE ADDED "SUCH REPERCUSSIONS WILL NECESSARILY INCREASE UNTIL THE PROCESS OF WORLD READJUSTMENT IN THE TERMS OF TRADE (HAS TAKEN PLACE)".

4. WITH SPECIFIC REFERENCE TO THE TAX MANFREDO DISPUTED THE NOTION THAT IT WOULD BE SELF-DEFEATING, CLAIMING THAT "THE VOLUME OF EXPORT FROM PANAMA AFTER A MONTH OF THE TAX DOES NOT SUPPORT THE ARGUMENT THAT THE MEASURE IS COUNTER-PRODUCTIVE." HE CLAIMED THE TAX WOULD NOT INVITE INCREASED COMPETITION ON THE BASIS THAT TO EXPAND PRODUCTION IN OTHER AREAS WOULD REQUIRE INCREASED INVESTMENT, WHICH IN TURN WOULD BE TOO RISKY SINCE IT WOULD BE BASED ON A TAX WHICH COULD BE CHANGED AT THE OPTION OF GOVERNMENTS.

5. MANFREDO REFLECTED A THEME OFTEN HEARD TO THE EFFECT THAT COMPETITION BETWEEN THE MAJOR FRUIT COMPANIES WORKED AGAINST PRODUCER COUNTRY INTERESTS AS FOLLOWS:
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"THE TRANSNATIONAL COMPANIES AGGRESSIVELY FIGHT OVER PRODUCTION AND DISTRIBUTION OF THE FRUIT, WITH A FEROCIOUS INTENT TO DOMINATE THE MARKET THROUGH THE ELIMINATION OF RIVAL COMPANIES..." HE SAID THE UPEB'S ROLE WOULD BE TO ESTABLISH ORDER AND THE NEW CONCEPT OF THE RIGHT OF PRODUCER COUNTRIES TO INTERVENE IN THE DETERMINATION OF PRODUCTION AND MARKETING POLICIES OF THE PRODUCTS PRODUCED IN THEIR TERRITORIES.

6. REGARDING FAILURE TO CONSULT IN ADVANCE WITH THE U.S. ON THE TAX, MANFREDO ADMITTED THIS, BUT CLAIMED THAT ACCORDING TO SECRETARY OF STATE KISSINGER ATTEMPTS TO ALTER THE PRICE OF BANANAS WOULD NOT HAVE REPERCUSSIONS ON THE PRICE OF PETROLEUM OR RAW MATERIALS "AND ACCORDINGLY MIGHT BE EXEMPT FROM THE NEED FOR SUCH CONSULTATION". MANFREDO ALSO NOTED THAT THE U.S. TAKES DECISIONS THAT "HAVE ALTERED AND CONTINUE TO ALTER THE DISTRIBUTION AND PRICES OF THE FACTORS OF PRODUCTION AND THUS INTERNATIONAL COMMERCIAL EQUILIBRIUM..." WITHOUT CONSULTING THE DEVELOPING COUNTRIES. HE ADDED THAT AFTER NUMEROUS CONVERSATIONS WITH VARIOUS OFFICIALS OF THE FRUIT COMPANIES HE UNDERSTOOD THAT THE AMERICAN CONSUMER COULD ABSORB A MODEST INCREASE OF 13 PERCENT IN THE PRICE OF BANANAS, WHICH HAD BEEN STABLE FOR 20 YEARS.

7. AFTER MAINTAINING THAT STANDARD FRUIT'S HARD LINE AGAINST THE TAX CAME AS A SURPRISE, MANFREDO ENDED THE INTERVIEW ON A CONCILIATORY NOTE POINTING OUT THAT "THE UPEB COUNTRIES APPRECIATE THE SINCERE EFFORTS THAT THE GOVERNMENT OF THE UNITED STATES HAS MADE TO GUARANTEE AND IMPROVE THE ACCESS OF OUR PRODUCTS TO ITS OWN MARKET AND TO OTHERS".

8. COMMENT: THIS INTERVIEW (TEXT TRANSMITTED TO ARA/CEN) READS MORE LIKE A POSITION PAPER THAN AN OFF-THE-CUFF STATEMENT. WHETHER ONE AGREES WITH THE LOGIC OR NOT (PARTICULARLY THAT EXHIBITED IN PARAGRAPH 4 ABOVE) IT WAS OBVIOUSLY CAREFULLY THOUGHT OUT AND DOCUMENTED. THE SIGNIFICANCE OF THE PIECE MAY LIE PRINCIPALLY IN ITS REASONABLY RESTRAINED TONE AND MUTED PLEA FOR UNDERSTANDING ON THE PART OF THE UNITED STATES. IT MAY ALSO BE SIGNIFICANT THAT NO MENTION WAS MADE OF THE ALLEGED ASSASSINATION/COUP ATTEMPT.

9. CONCERNING LOCAL VIEWS OF THE BANANA SITUATION, GOCR
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MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE SANCHEZ TOLD EMBOFFS THE MORNING OF JUNE 12 THAT HE WAS MUCH ENCOURAGED BY THE TONE OF RECENT CONVERSATIONS WITH REPRESENTATIVES OF THE FRUIT COMPANIES. REGARDING THE "COUP PLOT" HE SAID HE PERSONALLY TELEPHONE THE EDITOR OF THE SAN JOSE DAILY, LA HORA, TO TELL HIM TO "COOL IT". SANCHEZ' DESCRIPTION OF THE TALKS CONTRASTS WITH THE OPINION OF STANDARD'S LEGAL ADVISER (WHO CALLED TO REQUEST A COPY OF THE MEMORANDUM REFERRED TO IN APARAGRAPH 2) WHO EXPRESSED FRUSTRATION AT THE SLOW PACE SET BY THE GOCR. HE SAID THERE HAVE BEEN NO MEETINGS WITH GOVERNMENT NEGOTIATORS FOR A WEEK.
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